

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 IO-11 NEA-10 EUR-12 SP-02 AID-05

EB-07 NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 (ISO) W

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R 260253Z JAN 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1503

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USADB

PASS TREASURY BUSHNELL/ZINMAN

E.O. 11652: DECLAS 7/26/76

TAGS: EAID, EFIN

SUBJECT: ADB BORROWING PLANS

REF: (A) MANILA 0456, (B) MANILA 1157

1. AT BOARD OF DIRECTORS MEETING JANUARY 22, ADB PRESIDENT DURING ORAL REPORT OF HIS JAMAICA TRIP EXPLAINED CERTAIN ASPECTS OF BANK BORRWOING PLANS. ADB PRESIDENT SAID BANK IS CONSIDERING A YEN ISSUE EQUIVALENT TO US\$30 TO 40 MILLION FOR EARLY MARCH WITH COUPON RATE OF 8.7 PERCENT, COST TO BANK ABOUT 9 PERCENT BUT WITH A MATURITY OF 10 TO 12 YEARS. ALTHOUGH COST IS HIGHER THAN BANK LENDING RATE OF 8.75 PERCENT, HE CONSIDERED THAT ON BALANCE IT MIGHT BE ACCEPTABLE BECAUSE OF LONGER MATURITY. HE REASONED THAT RATE DIFFERENTIAL BETWEEN 5- AND 10-YEAR MONEY IS ABOUT 0.5 PERCENT SINCE RECENT IBRD ISSUES WERE 8.35 PERCENT FOR 5 YEARS AND 8.85 PERCENT FOR 10 YEARS. THIS SUGGESTS THAT ADB MIGHT NEED TO PAY ABOUT 9.3 PERCENT

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IN NEW YORK FOR 10-YEAR MONEY AS RECENT NEW YORK ADB

ISSUE CARRIED 8.8 PERCENT INTEREST.

2. ADB PRESIDENT SAID ANOTHER US DOLLAR ISSUE IS BEING PLANNED FOR SECOND QUARTER, AND HE HOPED THAT THE MATURITY COULD BE LENGTHENED TO 7 OR 8 YEARS FROM 5 YEARS. HE SAID THAT MATURITY STRUCTURE OF BORROWINGS NEEDED TO BE LENGTHENED SINCE THESE BANK FUNDS ARE LENT FOR MINIMUM OF 15 YEARS.

3. ADB PRESIDENT ALSO REPORTED ADB TREASURER'S EFFORTS TO BORROW FROM SAUDI ARABIA AND THE UNITED ARAB EMIRATES (UAE).

(A) SAUDI ARABIA MONETARY AUTHORITY (SAMA) AGREED TO LEND BANK 80 MILLION SWISS FRANCS EQUIVALENT TO ABOUT US\$30 MILLION FOR 7 YEARS AT 7.75 PERCENT PLUS CHARGES THAT WILL RESULT IN TOTAL COST TO BANK OF LESS THEN 8 PERCENT SINCE THIS IS A DIRECT BORROWING. PRESIDENT NOTED THAT SAMA ALSO AGREED TO LEND WORLD BANK 300 MILLION SWISS FRANCS OR ABOUT US\$115 MILLION AT SAME INTEREST RATE BUT FOR 8 YEARS FOR ONE YEAR LONGER THAN FOR ADB.

(B) ADB TREASURER IS NEGOTIATING WITH UAE AUTHORITIES FOR A US\$10 MILLION LOAN WHICH IS BEING OFFERED FOR 5 YEARS AT 9 PERCENT. ADB PRESIDENT FELT THAT THESE TERMS COULD BE ACCEPTED BECAUSE IT WOULD BE THE INITIAL BORROWING FROM UAE AND AMOUNT IS RELATIVELY SMALL. STULL

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